



Chapter 11 Bankruptcy Update

Frequently Asked Questions

Q1. What was announced on November 3, 2022?

A1. The Diocese of Rochester has filed a motion seeking approval by the U.S. Bankruptcy Court of the Western District of New York of a Restructuring Support Agreement between the Diocese and the Committee of Unsecured Creditors that would outline how survivors of sexual abuse would ultimately be compensated for claims brought against the Diocese and related Catholic entities.

Q2. Was this the only way to settle these claims and address the Chapter 11 Bankruptcy faced by the Diocese?

A2. The Diocese believed that filing Chapter 11 and working to negotiate this Restructuring Support Agreement was the fairest approach for the survivors and most viable for the Diocese to continue its mission. Long term litigation costs and settlements or jury awards would have far exceeded the resources which the Diocese has or could obtain to settle or litigate these claims.

Q3. Who would pay for the settlement of these claims?

A3. Under the Restructuring Support Agreement submitted to the Court, future recoveries by the Trust from insurance companies who provided coverage to the Diocese, its parishes, and other related Catholic entities during the time of abuse are expected to provide for potential additional financial recovery for the benefit of survivors. The Diocese's participation in this Trust would be \$55 million and would be made up by participation from the Diocese, the parishes, and related entities; this funding is still in the process of being completed.

Q4. How much will the insurance carriers pay toward to settlement of claims?

A4. It is anticipated that insurance companies which provided coverage at the time of the abuse will provide for potential additional recoveries for the benefit of survivors.

Frequently Asked Questions (con't)

Q5. I thought the parishes and related Catholic entities were not part of the Chapter 11 filing?

A5. They were not part of the Chapter 11 filing. However, they were named in individual lawsuits, and bear substantial risk of direct liability to claimants in individual state court actions. To reach an acceptable settlement, \$55 million will be provided by the Diocese and the related Catholic entities to the Trust to fund payments to survivors from the Trust.

Q6. Why are parishes and other related Catholic entities participating in the \$55 million?

A6. As noted above, individual parishes and other related Catholic entities were named in individual lawsuits and bear substantial risk of direct liability to claimants in individual state court actions. These actions pose a significant threat to the parishes and other related entities.

Q7. Where will the \$55 million come from?

A7. Contributions of the \$55 million represent the participation of all of the Diocese of Rochester's unrestricted funds, as well as funds from the parishes and other related Catholic entities, the amounts of which are still being determined.

Q8. What is the benefit of participation by the parishes and other related Catholic entities?

A8. The parishes and other related entities will benefit from their participation by obtaining a "channeling injunction," which will channel existing and future claims to the Trust established for this purpose.

Q9. Are these all the costs associated with this case?

A9. No. To date, the Diocese has incurred more than \$12 million in fees to benefit the Diocese and other related Catholic entities. The Diocese and related entities will continue to incur costs, including legal fees, associated with the implementation of the Restructuring Support Agreement and reorganization plan. The parishes and other related entities have also accrued costs for their own legal representation and analysis.

Q10. What impact will this Agreement have on the Catholic Ministries Appeal (CMA)?

A10. None. CMA contributions will not be used to fund this Restructuring Support Agreement.

Frequently Asked Questions (con't)

Q11. Will the Diocese close any parishes or sell parish property to pay for this Settlement?

A11. Over the past 25 years, separate and difficult decisions have been made to merge parishes and/or close churches due to factors such as declining attendance, unused and underused buildings, and an aging community. As with all dioceses, that assessment will be ongoing.

Q12. How do I ensure that my gift and/or planned gift to the Diocese is not used to pay settlements?

A12. Restricted gifts can only be used for the purpose for which they were given. You may want to speak to your attorney or estate planner about how to make a restricted gift to the Diocese.

Q13. Will the Diocese need to reduce its workforce as a result of the Restructuring Support Agreement?

A13. It is not our desire to reduce our workforce. However, ongoing financial realities, which were also impacted by the Coronavirus pandemic and financial market downturn have required significant personnel changes while still trying to maintain the same level of service to our parishes and related Catholic entities. These challenges and efforts will continue.

Q14. What happens next?

A14. The Bankruptcy Court will consider our filing and proposed Restructuring Support Agreement. If the Court agrees with our approach to addressing these claims, creditors and other parties of interest will be asked to vote on the plan and the Diocese will ask the Court to approve it.

There are a number of steps remaining in this matter; however, it is our hope that we can complete the steps necessary and ultimately emerge from Chapter 11 mid-summer to early fall 2023 as this will mark the fourth year of Bankruptcy which has been so painful for all parties concerned, especially the survivors.